

## **FISCAL NOTE**

### **HB 3132 - SB 3509**

March 13, 2006

**SUMMARY OF BILL:** Includes in the definition of *industrial machinery*, as it applies to sales and use tax law, any machinery and equipment used primarily in the production and post production of theatrical and non-theatrical motion pictures for exhibit or sale.

#### **ESTIMATED FISCAL IMPACT:**

**Other Fiscal Impact - The fiscal impact of this bill is dependent upon two unknown factors: (1) the number of production companies who purchase *industrial machinery* and (2) the extent of those combined purchases. Therefore, determining a precise fiscal impact for this bill is difficult. However, for every \$1.0 million worth of *industrial machinery* purchased, state revenues would decrease approximately \$70,000 and local government revenues would decrease by approximately \$22,500.**

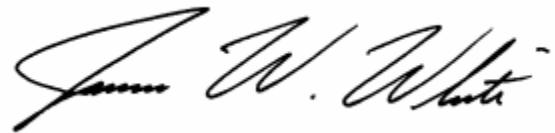
#### Assumptions:

- “Motion picture” includes similar productions for television or other media using film, video tape or other means.
- “Industrial machinery” includes, but is not limited to, (1) HDTV compliant cameras and associated equipment, (2) HDTV compliant motion picture editing equipment, (3) audio equipment to be compliant with HD/digital television, (4) all new or upgraded equipment and machinery for grip and lighting, (5) all new or upgraded equipment for motion picture editing, and (6) all new or upgraded equipment for motion picture audio post or music editing.
- T.C.A. 67-6-206(a) exempts the sale of *industrial machinery* from sales and use tax.
- State sales tax rate is 7%.
- Local option tax rate is 2.25%.
- The fiscal impact of this bill is dependent upon two unknown factors: (1) the number of production companies that will purchase *industrial machinery* and (2) the extent of those combined purchases.

- Determining a precise fiscal impact for this bill is difficult due to the above-mentioned factors. However, for every \$1.0 million worth of *industrial machinery* purchased, the decrease to state revenues would be approximately \$70,000 (\$1.0 million purchased X 7% state rate = \$70,000).
- For every \$1.0 million worth of *industrial machinery* purchased, the decrease to local government revenues would be approximately \$22,500 (\$1.0 million purchased X 2.25% local option tax rate = \$22,500).

**CERTIFICATION:**

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James W. White". The signature is fluid and cursive, with the first name "James" written in a smaller, more compact script than the last name "White".

James W. White, Executive Director